

ASBURY AUTOMOTIVE GROUP INC
Form 8-K
December 12, 2003

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported):
December 12, 2003

Asbury Automotive Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

5511

(Commission File Number)

01-0609375

(IRS Employer Identification No.)

Three Landmark Square, Suite 500, Stamford, CT

(Address of principal executive offices)

06901

(Zip Code)

(203) 356-4400

(Registrant's telephone number, including area code)

None

(Former name or former address, if changed since last report)

Item 5. Other Events and Regulation FD Disclosure.

The Company is filing this 8-K to update its consolidated financial statements and supplementary data included in Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

INDEPENDENT AUDITORS' REPORT

To Asbury Automotive Group Inc.:

We have audited the accompanying consolidated balance sheets of Asbury Automotive Group Inc. and subsidiaries (the "Company") as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders'/members' equity and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asbury Automotive Group, Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, as of January 1, 2002, the Company changed its method of accounting for goodwill to conform to Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets."

Stamford, Connecticut
February 25, 2003
(December 12, 2003 as to Note 2 paragraph 2 and Notes 19 and 22)

ASBURY AUTOMOTIVE GROUP, INC.**CONSOLIDATED BALANCE SHEETS**

(dollars in thousands except for share data)

	December 31,	
	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 22,613	\$ 60,506
Contracts-in-transit	91,190	93,044
Current portion of restricted marketable securities	1,499	1,410
Accounts receivable (net of allowance of \$2,122 and \$2,375)	96,090	81,347
Inventories	591,839	496,054
Deferred income taxes	9,044	
Prepaid and other current assets	37,314	25,253
	849,589	757,614
Total current assets	849,589	757,614
PROPERTY AND EQUIPMENT, net	257,305	256,402
GOODWILL	402,133	392,856

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	December 31,	
RESTRICTED MARKETABLE SECURITIES	4,892	6,807
OTHER ASSETS	61,866	51,334
ASSETS HELD FOR SALE	29,859	
	<u> </u>	<u> </u>
Total assets	\$ 1,605,644	\$ 1,465,013
	<u> </u>	<u> </u>
LIABILITIES AND SHAREHOLDERS'/MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable	\$ 528,591	\$ 451,375
Short-term debt		10,000
Current maturities of long-term debt	36,412	35,789
Accounts payable	40,120	33,573
Deferred income taxes		3,876
Accrued liabilities	77,325	75,384
	<u> </u>	<u> </u>
Total current liabilities	682,448	609,997
LONG-TERM DEBT	438,740	492,548
DEFERRED INCOME TAXES	29,972	1,370
OTHER LIABILITIES	15,580	13,191
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	11,953	
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS'/MEMBERS' EQUITY:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized		
Common stock, \$.01 par value, 90,000,000 shares authorized, 34,000,000 issued	340	
Additional paid-in capital	410,718	
Contributed capital		305,363
Retained earnings	22,645	40,888
Treasury stock, at cost; 772,824 shares	(6,630)	
Accumulated other comprehensive income (loss)	(122)	1,656
	<u> </u>	<u> </u>
Total shareholders'/members' equity	426,951	347,907
	<u> </u>	<u> </u>
Total liabilities and shareholders'/members' equity	\$ 1,605,644	\$ 1,465,013
	<u> </u>	<u> </u>

See Notes to Consolidated Financial Statements.

ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands except per share data)

For the Years Ended December 31,

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	2002	2001	2000
REVENUES:			
New vehicle	\$ 2,644,798	\$ 2,480,202	\$ 2,326,538
Used vehicle	1,158,144	1,102,922	1,000,182
Parts, service and collision repair	498,800	467,739	415,959
Finance and insurance, net	115,159	102,179	84,667
	<u>4,416,901</u>	<u>4,153,042</u>	<u>3,827,346</u>
COST OF SALES:			
New vehicle	2,430,495	2,276,475	2,138,966
Used vehicle	1,053,690	1,005,170	913,407
Parts, service and collision repair	234,828	225,466	203,750
	<u>3,719,013</u>	<u>3,507,111</u>	<u>3,256,123</u>
GROSS PROFIT	697,888	645,931	571,223
OPERATING EXPENSES:			
Selling, general and administrative	539,541	500,017	431,944
Depreciation and amortization	19,136	27,721	22,612
	<u>139,211</u>	<u>118,193</u>	<u>116,667</u>
OTHER INCOME (EXPENSE):			
Floor plan interest expense	(17,860)	(26,065)	(34,552)
Other interest expense	(38,423)	(44,481)	(41,200)
Interest income	1,200	2,499	5,802
Net losses from unconsolidated affiliates	(100)	(3,248)	(6,066)
Loss on sale of assets	(75)	(384)	(1,533)
Loss on early extinguishment of debt		(1,433)	
Other income (loss)	(428)	1,909	815
	<u>(55,686)</u>	<u>(71,203)</u>	<u>(76,734)</u>
Income from continuing operations before income taxes and minority interest	83,525	46,990	39,933
INCOME TAX EXPENSE:			
Income tax expense	27,662	4,980	3,570
Tax adjustment upon conversion from an L.L.C. to a corporation	11,553		
	<u>39,215</u>	<u>4,980</u>	<u>3,570</u>
MINORITY INTEREST IN SUBSIDIARY EARNINGS			
		1,240	9,740
Net income from continuing operations	44,310	40,770	26,623
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax benefit of \$2,804 for 2002	(6,225)	3,414	4,092
	<u>38,085</u>	<u>\$ 44,184</u>	<u>\$ 30,715</u>
PRO FORMA INCOME TAX EXPENSE (BENEFIT) (net of effect on minority interest):			

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For the Years Ended December 31,

Income tax expense	5,299
Tax adjustment upon conversion from an L.L.C. to a corporation	(11,553)
Tax affected pro forma net income	\$ 44,339
EARNINGS PER COMMON SHARE:	
Basic	\$ 1.15
Diluted	\$ 1.15
PRO FORMA EARNINGS PER COMMON SHARE:	
Basic	\$ 1.34
Diluted	\$ 1.34
WEIGHTED AVERAGE SHARES OUTSTANDING (in thousands):	
Basic	33,065
Diluted	33,073

See Notes to Consolidated Financial Statements.

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ASBURY AUTOMOTIVE GROUP, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS'/MEMBERS' EQUITY

(dollars in thousands)

	Common Stock	Additional Paid-in Capital	Contributed Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE AS OF JANUARY 1, 2000	\$	\$	\$ 199,229	\$ 1,959	\$	\$	\$ 201,188
Contributions			20,650				20,650
Contribution of equity interest by minority members			86,694				86,694
Distributions				(13,364)			(13,364)
Net income				30,715			30,715
BALANCE AS OF DECEMBER 31, 2000			306,573	19,310			325,883
Comprehensive Income:							
Net income				44,184			44,184
Fair value of interest rate swaps						1,656	1,656
Comprehensive income							45,840
			5,000				5,000

	Common Stock	Additional Paid-in Capital	Contributed Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Issuance of equity interest for acquisitions							
Distributions				(22,606)			(22,606)
Members' equity repurchased			(3,710)				(3,710)
Members' equity surrendered in purchase price settlement			(2,500)				(2,500)
BALANCE AS OF DECEMBER 31, 2001			305,363	40,888		1,656	347,907
Contributions			800				800
Distributions				(14,590)			(14,590)
Comprehensive Income:							
Net income				38,085			38,085
Change in fair value of interest rate swaps, net of \$127 tax benefit						(1,858)	(1,858)
Amortization of loss on interest rate swaps, net of \$47 tax benefit						80	80
Comprehensive income							36,307
Stock and stock option compensation		614					614
Proceeds from initial public offering, net	45	62,498					62,543
Share repurchase					(6,630)		(6,630)
Reclassification of members' equity due to the exchange of membership interests for shares of common stock	295	347,606	(306,163)	(41,738)			
BALANCE AS OF DECEMBER 31, 2002	\$ 340	\$ 410,718	\$	\$ 22,645	\$ (6,630)	\$ (122)	\$ 426,951

See Notes to Consolidated Financial Statements.

ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	For the Years Ended December 31,		
	2002	2001	2000
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	\$ 38,085	\$ 44,184	\$ 30,715
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	19,136	27,721	22,612
Depreciation and amortization from discontinued operations	5,002	3,047	1,890
Deferred income taxes	15,682	(499)	577

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For the Years Ended December 31,

Loss on sale of assets	75	384	1,533
Loss on disposal of discontinued operations	1,490		
Minority interest in subsidiary earnings		1,240	9,740
Loss on early extinguishment of debt		1,433	
Net losses from unconsolidated affiliates	100	3,248	6,066
Amortization of deferred financing fees	4,548	3,568	564
Changes in operating assets and liabilities, net of acquisitions and divestitures			
Contracts-in-transit	1,854	(16,490)	(19,632)
Accounts receivable, net	(30,570)	(20,025)	(17,500)
Proceeds from sale of accounts receivable	17,136	17,624	19,867
Inventories	(79,898)	106,081	(24,758)
Floor plan notes payable	73,945	(80,812)	38,200
Accounts payable and accrued liabilities	7,507	12,344	(8,335)
Other	(6,086)	(6,523)	1,473
	<u>68,006</u>	<u>96,525</u>	<u>63,012</u>
Net cash provided by operating activities			
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures	(57,477)	(50,032)	(36,062)
Proceeds from the sale of assets	692	2,083	6,054
Proceeds from the sale of discontinued operations	5,173		
Acquisitions (net of cash and cash equivalents acquired of \$26, \$1,049 and \$12,776 in 2002, 2001 and 2000, respectively)	(20,459)	(50,150)	(183,840)
Investments in unconsolidated affiliates		(1,200)	
Proceeds from restricted marketable securities	1,826	885	1,423
Net receipt (issuance) of finance contracts	(45)	121	(480)
Other investing activities	(1,069)		
	<u>(1,069)</u>		